32 Mortgage Top Tips for First Time Buyers

1. Engage a Lender Early On

Do not try to impress your lender by showing how financially sophisticated you (think you) are. I have seen first time mortgage customers close out credit card accounts (this hurts your credit), move money around from various accounts and/or deposit a big stack of cash they have been saving (if you do not have a paper trail of all funds you plan on using for the transaction, you will have a hard time getting a loan approved). Instead, the first thing you should do even before contacting a Realtor or visiting an open house, is to contact a seasoned mortgage professional and get pre-approved for a home loan and inquire on the do's and don'ts from that time through the closing. A competent lending officer will be able to provide you with information to insure a smooth and stress free financing transaction if they are contacted early enough in the process.

John Shaw – NMLS# 72524 – Guaranteed Rate

2. Always Bring a Gun to a Knife Fight

Think of Indiana Jones in Raiders of the Lost Ark. First time home buyers need to show sellers they are serious and differentiate themselves from the other competing buyers to gain leverage in the negotiating process. Most buyers are making offers using prequalification or pre-approval letters, which aren't worth the paper they are written on. Don't be like everyone else…be better. FTHB's should be coming to the negotiation table with a fully underwritten conditional approval or a PreferredBuyer™ Advantage type approval that I arm my buyers with.

Brad Yzermans – NMLS# 315238 – Caliber Home Loans

3. Don't Hide Any Information

While you may feel you are helping the process by not telling us about that other home you own/bankruptcy you filed/lack of down payment, etc it will eventually come out. Help your lender by providing them with as much information as possible upfront, even if you think it may hurt you. We must verify significantly more information than in the past and everything is discovered. We're here to help you obtain that loan and it's much easier to find a solution upfront rather than during the final approval when the clock is ticking!

Patrick Ruffner – NMLS# 364050 – Guaranteed Rate

4. Use an Experienced Loan Officer

The best loan officers are known in their markets for providing an exceptional experience for both the borrower and realtor alike and just like Starbucks their clients are fiercely loyal because they've earned the trust of their community. Because there is no internship for mortgage loan officers, experience is gained on the job. Now more than ever, a first time home buyer can't risk 'on the job training' with a newly licensed mortgage loan officer because experience may be the difference between buying their first home or renewing the lease on their college apartment.

Ricardo Cobos – NMLS# 120651 – AES Lending

5. Meet Your Loan Officer Face to Face

Many of the new lending disclosures can be confusing if you are seeing them for the first time. By sitting down with your lender it allows you the opportunity to fully understand the financing charges and the details of the transaction you are entering into.

Patrick Haywood – NMLS# 217727 – PERL Mortgage

6. Respond Quickly to Your Lender

Time kills transactions! Instead of bellyaching about the documentation requested – focus on the big picture – you are going to own a new home!

Phil Caulfield – NMLS# 386911 – WJ Bradley Mortgage Capital

7. Consider Seller Credits

Always consider a seller credit when making an offer. This can alleviate some of the out of pocket costs on closing day. Often 1st time home buyers are working on a tight budget. They have a lot of expenses including down payment, homeowner's insurance, various inspections, and moving expenses. A seller credit will allow for some of the acquisition costs to be financed into the loan. Your Realtor will be able to help guide you through structuring an offer with a seller credit. You will also find it helpful to speak with your lender so you know how much credit will be allowed with your type of financing and how much of it to utilize.

Cory Kessenich – NMLS# 248368 – Inlanta Mortgage

8. Verify Your Loan Officer

Check the NMLS website for background on who you are dealing with (lender). Is this person on his first month on the job or on his 20th year?

Jeff Tarbell – NMLS# 249176 - Comstock Mortgage

9. Use Your Own Realtor

One thing I see first time buyers doing is contacting the listing agent on a home for sale and then letting that Realtor represent them as well as the sellers in the offer. How can an agent get the highest price for the seller at the same time the lowest price for the buyer? I tell them to get another agent to represent them, for it does not cost them a penny and are only working for you.

Ray Silvestri – M08002781 – Mortgage Architects

10. Request a GFE Before You Apply

You owe it to yourself to get a GFE (Good Faith Estimate) from a local Mortgage Broker before you formally apply for a loan. The mortgage broker is required by regulations issued by the Federal Reserve to disclose all their fees upfront to the consumer. Mortgage Brokers have a pre-determined amount of compensation they can receive before the application can be initiated. Therefore Brokers can NOT choose to "pocket" more money on a specific transaction, if a consumer chooses a rate that has a premium, the extra money must be credited back to the consumer.

Kirk Chivas – NMLS# 160828 – First Commerce Financial

11. Guidelines Vary from Lender to Lender

There are guidelines that all lenders must follow; however there are also requirements that can vary. Borrowers are often led to believe that they will not qualify for certain programs when in-fact they will, just not under those particular lenders guidelines. I recommend a second opinion if you have been told "no". For example, many clients I speak with say they will not qualify for a conventional loan because their credit score is only 620. Lenders offer different programs, credit restrictions, etc.

Paula Bonnafant – NMLS# 858645 – American Eagle Mortgage

12. Keep Your Bank Statements Clean

One of the biggest problems with first time buyers is their bank statements. Underwriters look those documents the hardest. They are looking for large deposits and other income sources not listed on the application.

Craig Ballhagen - NMLS# 93005 – Guild Mortgage

13. Pay a Higher Rate

And save on your monthly payment. Always look at Single Premium Mortgage Insurance options.

Kelly Whytock – NMLS# 286369 – RidgeView Mortgage

14. Shop Your Insurance Policy

First time buyers should shop for homeowners insurance, the same way they shopped for a lender. Their current insurance carrier may not be their best option. Make sure you have proper coverage, make sure you have enough funds set aside to meet your deductible in case of catastrophe and take advantage of multi-policy discounts.

Tamara McNeil – NMLS# 289680 – Comstock Mortgage

15. Don't Spend Your Reserves

One uncommon mortgage tip is to do your best NOT to spend your reserves during the loan approval process. First time homebuyers tend to get very excited during escrow, and there is a tendency to want to shop for new furniture, appliances, etc. However, most banks will want current asset statements right before we sign your loan. So if the amount of reserves you now have is less than what we started with, you may have to prequalify again. This can cause loan approval delays, and frustrate the seller since we may have to extend the contract date.

Pete Castillejos – NMLS# 331643 – 808 Home Mortgage

16. Know Your Monthly Payment Limit

Before you buy a home have a discussion on what you're comfortable mortgage payment level is including taxes and insurances. Don't just make it about the principal and interest payment. No matter what the real estate agent or lender says you can qualify for, you know your limits better than any bank or real estate agent. Big difference between debt to income and liability income; trust yourself on how much you can pay monthly on housing cost.

Housing should always be looked at as the cost of shelter to your own capacity to own the debt. It shouldn't be looked at as an investment first. You're going to be going to bed and waking up in the morning with that mortgage payment each day not the value of your home which can go up and down.

Logan Mohtashami – NMLS# 328173 – AMC Lending Group

17. Careful If You Aren't Paying Rent

A large jump in rental payment to a monthly mortgage payment alarms underwriters for first time homebuyers. Those who had lived with family and are attempting to purchase their first home and have been paying no rent should be able to show some savings. While they report good and stable income, if they cannot save any funds and they are paying no rent; underwriting has authority to require reserves or deny the loan. Gift funds from family may not satisfy an underwriter's concern over the true ability to repay the mortgage payment.

Charlie Leonard – NMLS# 380699 – Movement Mortgage

18. Understand Fixed vs. ARM Products

With today's mortgage rate's a historic lows I would not recommend an Adjustable Rate Mortgage (ARM) for the first time home buyer. Protection is better when the rate to borrow is so low. Many may argue that the first time home buyer will not live in the home for more than 5 years. If it's about maximizing the lowest payment as the main goal I would challenge the borrower about what price range they are in. Now don't get me wrong if we educate, communicate and a borrower truly understands and wants an arm product because it makes sense for that family's goal and objectives, great. However, truly educating and helping each home buyer understand all loan programs is the key to providing a high level of service.

Mike King – NMLS# 183436 – New American Funding

19. Ask About Mortgage Credit Certificate

Don't miss out on your only chance to get a Mortgage Credit Certificate (MCC) which will allow you to turn a % of your mortgage interest paid each year from a tax deduction into a tax credit. This increases your household income by up to $2,000 a year for the life of the mortgage. You can even use this additional income on a loan transaction to help qualify for a large purchase price.

Clinton Sistrunk – NMLS# 247658 – The Colorado Mortgage Team

20. Consider All of the Costs

The first time home buyer is always told, "you can buy a home and the mortgage payments will be similar to what you are currently paying in rent." That may be true, but make sure you have enough cash on hand for the following:

Down payment (on an FHA loan it's 3.5% of the purchase price that's required and for a conventional loan, 5% is required), property inspection, closing costs (including property appraisal, title insurance fees and settlement fees), escrow and prepaid costs (including homeowners insurance and property taxes), potentially Homeowners Association (HOA) dues, Moving expenses, Utilities (may be more than what you paid while renting), new appliances and furniture for your new house, lawn and garden equipment, home improvement projects…hope you have a Home Depot near you.

Good luck. In the long run, you will be glad that you made the investment.

[Kevin Reese] – NMLS# 970215 – [Academy Mortgage Corporation]

21. Source All Deposits

If they are selling personal items to raise money for their down payment, such as cars, furniture, guns, etc., be sure to document the sale with a bill of sale and a photocopy of the check the buyer paid with as well as keep the deposit slip. Money that cannot be sourced cannot be used for down payment, closing costs or reserves. All monies going into the transaction have to be accounted for, meaning where they came from and how long they have been there.

Cory Ure – NMLS# 255282 – Security National Mortgage Company

22. Remove Personal Property

Make sure personal property is not included in the purchase contract when buying a home. If it comes up big personal property is identified within the real estate sales contract, it would either need to be omitted for the purposes of getting mortgage loan financing or bill of sale will be required between the buyer and the seller stating no monetary value for the personal property. It is not deal killer but it does create a shakeup in the transaction especially when turn times for ever more important.

Scott Sheldon –- NMLS# 287389 – Sonoma County Mortgages

23. Stay Within Your Budge

I always talk to my first time buyers to understand how much they can afford for housing monthly, and not let the lender or me as the loan officer determine to them how much they can afford for a mortgage payment.

In some cases a first time homebuyer knows that they can only afford, let's say for example $800 per month for housing, well they meet with a loan officer and the loan officer informs them that based on their gross monthly income they can afford a house payment up to $1000 per month. This may very well be the case based on their income, and the larger home and increase in sales price for homes available does get exciting, but YOU the buyer are the one who has to make the monthly mortgage payment, so be sure you still stay within what you are comfortable paying for housing regardless how much of a loan you may be able to actually get approved for.

Mateo Garcia – NMLS# 155331 – Peoples Mortgage Company

24. Don't Fear Your Mortgage, Manage It

Choose to work with a Mortgage Broker who will provide you with a strategy that will protect you from the effects of rising interest rates and will minimize the interest you pay! Don't just use the rate and payment of the mortgage today; look ahead to what your potential payment will be at renewal. This planning will protect you from a problem you do not know you have and will significantly reduce your total cost of home ownership!

Jason Krist – Invis

25. Don't Buy Mortgage Life Insurance

If you buy a home you'll be solicited to buy Mortgage Creditor Protection (MCP), often referred to as Mortgage Life Insurance. MCP is a financial product which declines in value as the borrower pays more premiums to the insurer. MCP promises to payout an amount equal to the client's outstanding mortgage debt at any point in time (which is a decreasing sum). MCP is extremely profitable to lender and insurers and equally as disadvantageous to borrowers. Don't be a sucker. MCP is a dirty secret of the mortgage industry.

Phil Ganz – NMLS# 37833 – Fairway Mortgage

26. Pull Your Credit Once Per Year

I've been in the financial industry for over 20 years and you'd be amazed at what's on your credit bureau. And your credit bureau is the first thing everybody looks at no matter where you go to borrow. Whether it's a mortgage, visa, line of credit, you name it. You need to know first.

Mark Fidgett – Not a Penny Down

27. Consider Lender Paid MI

Prior to the market collapse of 2007, FHA was the predominant means to obtain financing for first time home buyers. However, over the last few years, FHA has increased it's monthly mortgage insurance premium greatly. As a result, conventional financing with lender paid mortgage insurance has become a lot more popular. Borrowers with minimal down payments can purchase using conventional financing and have the lender buy out the mortgage insurance. Often, the payments and long term benefits are better with this strategy.

Chris Jones – NMLS# 130813 – Guaranteed Rate

28. Don't Make Changes After Applying

It's important to know that credit, income, and assets are often re-verified after you've signed your initial loan application documents. For that reason, certain activities may affect your mortgage transaction. For example, any change in your employment status; if you authorize someone (other than the bank reviewing your application) to make an inquiry on your credit report and finally, changing, or opening bank accounts or transferring money between your existing accounts.

Brad Blackwell – Wells Fargo

29. Know Your End Goal

Not every case is cookie cutter but have a few plans in place… Plans for the long term, short term, and "Oh-No! Now what?" Knowing ahead of time what your end goal is, in addition to realizing when that goal needs an adjustment, lends an added peace of mind. Plus, I let them they know if they ever need guidance that I am always here to help.

Corri Klebaum – NMLS# 211442 – Alpine Mortgage Planning

30. Think Twice About Your Co-Borrower

When purchasing with another person whether it be spouse, soul mate, friend, or business partner be aware of the consequences if that relationship were to dissolve. We receive numerous requests throughout the year inquiring about a refinance to remove a co-borrower from a mortgage because the partners have each gone their own direction. And we can't help them.

When a property is purchased and two individuals with two incomes were used to obtain a mortgage, in most cases the partner that stays in the home won't qualify for a mortgage on his income alone. Even in cases where a married couple ends up divorcing and a judge awards the home to one partner and the other person is quitclaimed off of the deed, that person is still on the mortgage, is still liable, will still have the payment reporting monthly to the credit bureaus, and is responsible for the total debt if their former partner falls behind or doesn't pay.

It's best to start out with a mortgage payment that is manageable and leaves your household with breathing room at the end of the month.

David Leonard – NMLS# 248526 – Inlanta Mortgage

31. Find Your Comfort Zone

I know this is quite contrary to the sell, sell, sell mentality and often times I receive push back from realtors wanting to hit the home run and sell them the maximum house that they qualify for. My entire business is built upon making the experience as painless as possible and putting my clients in a position to succeed. As their trusted advisor we go through many different scenarios, work up a budget for them on a budgeting worksheet that I provide that helps show them all of the costs of homeownership. I feel that this gives them the greatest opportunity for long-term success and allows them to enjoy homeownership without having to make major sacrifices and life style changes!

Paul Anderson – NMLS# 182954 – Prospect Mortgage

32. Stay in the Dance Till the Music Stops

The home loan process is a dance with many partners.

The music starts with an initial application when the lender, realtors, sellers, appraiser, escrow officer and more all take to the floor. Hopefully the music doesn't stop until a loan closes. But too often the borrower steps away. At any moment the borrower might be needed to provide clarification or authorization. If they're not there the music stops. And every delay increases the possibility that that loan might fail.

But if the borrower is present and willing to step up when needed the chance of success is far greater and the dance often comes to a sweeter end.

Robert Killen – NMLS# 1093041 – Guild Mortgage